Indian-Pacific Journal of Accounting and Finance (IPJAF)
Vol. 1 No. 4, 2017
pp. 4-20

www.ipjaf.omjpalpha.com

Board Characteristics, Corporate Performance and CEO Turnover Decisions: An Empirical Study of Listed Non-Financial Companies

Yahya Uthman Abdullahi*, Rokiah Ishak, and Norfaiezah Sawandi

Tunku Puteri Intan Safinaz School of Accountancy, Universiti Utara Malaysia

Abstract: This study examines the influence of board characteristics and corporate performance on CEO turnover decisions using a sample of 144 firms from non-financial companies listed on the Nigerian Stock exchange between the periods of 2011 to 2015. The study adopts agency and resource dependency theories to support its objectives and applies a logistic regression statistical technique to analyse the results. The results show that board nominating committee has a significant positive relationship with CEO turnover and board gender diversity has a negative influence on CEO turnover. Also, the study also finds that poor corporate performance leads to CEO turnover. On the overall, the findings indicate that company performance, board nominating committee and gender diversity in the boardroom are consequential in the Nigerian corporate landscape. In line with the findings, this study suggests that the government should enact legislation on gender quota for more women appointment to the board of the corporation to better the performance of the firm, and as well to enhance the monitoring role of the board.

Keywords: Corporate, Diversity, Gender, Performance and Turnover

JEL Classification: M40, M41, M49
Paper Type: Research Paper

1. INTRODUCTION

It is a common knowledge that CEOs occupy the most strategic position in corporations. This position placed them in a vantage position to take corporate decisions and executive day to day business of the companies on behalf of the owners. CEO has the responsibility for putting in place organisational structure, strategy and performance. CEO occupies a central position in an organisation and plays a vital role in the performance of the corporation. Consequently, the CEOs

* Corresponding author: E-mail: yahyauthman80@gmail.com

are often praised and rewarded when the companies are performing well. On the other hand, they are punished by way of dismissal or termination of their appointment. Hence, CEO turnover is a vital tool in the hands of the shareholders to compel the CEOs to act in the best interest of the owners of the companies.

The threat of sack or dismissal also serves as a strong motivation to the CEOs to pursue the interest of the owners/shareholders, which is in line with the extant literature establishing a negative relationship between performance and CEO turnover (Conyon & He, 2014; Ishak & Latif, 2012; Rokiah, 2010; Sanda, Mikailu, & Garba, 2010). However, in deciding to fire or change a CEO in the event of poor performance, corporate performance measurement are adopted. These measures comprise accounting-based and market-based performance (Fatima, Goergen, & Mira, 2013; Lindrianasari & Hartono, 2012; Rachpradit, Tang, & Ba Khang, 2012; Ishak, 2010). Furthermore, board structure plays a vital role in the effective functioning of the companies and plays a critical role in corporate governance. Thus, with effective and proper corporate governance in place, the top management team of the firms are more likely to pursue the interest of the shareholders (Nguyen, Locke, & Reddy, 2014).

Several corporate governance variables have been examined by prior researchers in the corporate governance literature on CEO succession; board structure and firm performance (Cheng, Hu, & Saffar, 2014; Dimopoulos & Wagner, 2012; Guo & Masulis, 2015). However, not much attention has been paid to the influence of board nominating committee on CEO turnover especially in developing economies with weak markets and regulatory system. Similarly, board gender diversity is currently attracting the attention of the researchers. However, no studies to the best of the researchers' knowledge have examined the influence of board gender on the CEO turnover in the emerging markets. Although, most of the studies on board gender diversity were carried out in the developed economies, however, the empirical findings are mixed or inconclusive. Consequent upon this mixed empirical evidence, Nguyen et al., (2014) suggest that the differences in the research contexts and the econometric methods used are responsible for the mixed findings.

Hence, this study examines the influence of corporate performance, board gender diversity and board nominating committee on CEO turnover in Nigerian PLCs. Furthermore, prior studies have concentrated on the common attributes of board structure such as board size, board composition and board committees. Limited studies have considered the influence of board nominating committee and board members' gender. These variables have the potentiality to enhance the effectiveness of the board in discharging its monitoring of the management and disciplining them when necessary (Ku Ismail & Abdul Manaf, 2016; Ogbechie, 2012). As a result, this study considers the board members' gender to influence the CEO turnover.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This section discusses the review of relevant literature and development of the suitable hypothesis to investigate the influence of corporate performance and board structure on the CEO turnover.

2.1 CEO Turnover

CEO turnover is theoretically hinged on the agency theory which postulates that the shareholders (principal) use the turnover as a tool by which the CEOs are threatened with dismissal in the event of poor performance of the companies (Fama & Jensen, 1983). To mitigate the agency problem, Fama and Jensen (1983) recommended delegating the internal control to the board of directors to monitor the management decisions and corporate behaviour. They equally made suggestions of some specific board attributes that could enhance the effectiveness of the board in monitoring and ensuring that the managers act in the best interest of the shareholders. On the other side of

the coin, turnover serves as an incentive to the CEOs to implement proper strategies and manage the firms efficiently and effectively to increase the shareholders' wealth and enhance the performance of the firms to avoid being fired by the shareholders (Dikolli, Mayew, & Nanda, 2014).

As argued by Fredrickson, Hambrick, & Baumrin (1988), corporate performance affects CEO dismissal, but the relationship is not direct as it is mediated by social and political factors. The organisation's desire to shift direction leads to dismissal of the CEO, and it is a major event generally initiated by the board of directors (Dikolli et al., 2014; Kind & Schläpfer, 2011 and Maharjan, 2015). Consequently, Fredrickson et al. (1988) came up with a dismissal model which postulated that, for a CEO to be either dismissed or retained, the board of directors draw a comparison between the firm's current actual performance and the board's performance expectation. Substantial empirical evidence abound with regard to the direct relationship between firm performance and the decision to dismiss or retain the CEO, however, further studies have equally established that the link is moderated by some socio-political constructs that strengthen this relationship, these constructs include; board structure and ownership structure (Cannella & Lubatkin, 1993; Ishak, Ku Ismail, & Abdullah, 2013; Rachpradit et al., 2012).

2.2 Firm Performance and CEO Turnover

The relationship between firm performance and CEO turnover had gained prominence because it has over time been used as a measure of the effectiveness of management of the firms (Dimopoulos & Wagner, 2012; Ishak, Ku Ismail & Abdullah, 2013 and Cook, 2015). It is argued that the negative association between firm performance and CEO turnover is a measure of effectiveness the corporate governance mechanisms of a firm as represented in the decision of the board of directors by removing the CEO in the event of poor performance. Several studies had concentrated on the relationship between CEO turnover and firm performance (Cook, 2015; Fiordelisi & Ricci, 2013). Although, most of the studies that were conducted established a negative relationship between firm performance and CEO turnover, however, there are remarkable divergent results across the countries. While the studies from the UK and the US report that current performance affects CEO turnover, most of the studies from the developing markets established that poor performance has a lagged effect on CEO turnover (Conyon & He, 2014; Ishak & Abdul Latif, 2012; Ishak, KU Ismail, & Abdullah, 2012).

Similarly, Lindrianasari and Hartono (2012) examine the importance of accounting and market-based information in Indonesia, using samples of all the firms that experienced CEO turnover between 1998 and 2006, they find that when the accounting and market performance decrease, the probability that the CEO dismissal is higher and vice versa. In the same vein, Rachpradit et al., (2012), find a negative relationship between corporate performance and CEO turnover, though they used accounting measure of performance rather than market-based performance because of its inherent drawbacks such as discount in stock price and illiquidity of the stock market especially in the developing markets. Furthermore, accounting-based performance such as return on assets (ROA) supplements market- based performance by revealing more information about the management's actions than what Tobin's Q alone do and market-based performance measures in developing economies tend to rise and fall together, and this positive synchronization is functionally inefficient (Conyon & He, 2012). Thus, the study hypothesises that:

H_1: Firms are more likely to replace their CEOs in the event of poor performance.

2.3 Board Size and CEO Turnover

In addition to firm performance, Fredrickson et al., (1988) suggested that board attributes influence CEO turnover. Board size is an aspect of the board of directors' attributes that is likely

to affect rational dynamics between group members and their ability to process information effectively. The size of the board is considered as a yardstick to determine the effectiveness of the board in monitoring the CEO (Chemmanur & Fedaseyeu, 2015). There are conflicting findings from the previous studies that have investigated the relationship between board size and CEO turnover; there are mostly conflicting, mixed and inconclusive. For instance, Chemmanur and Fedaseyeu (2015) argue that having a large number of board members increase the amount of information that is potentially available to the board and the larger board may also help firms gain access to resources. This implied that the board would be better equipped with the necessary information and capability to monitor the CEOs and effectively make an informed decision on CEO turnover, hence more likely to replace the CEO when the performance declines.

On the other side, Rachpradit et al.,(2012) find that the probability of CEO turnover is low when the board size is large for a sample of Thai companies. Moreover, large board size has an adverse effect on the quality of monitoring of the board; the smaller boards are more likely to replace poorly performing CEOs (Bekiris, 2013; Cook, 2015b; Dimopoulos & Wagner, 2012b). Thus, this study hypothesises that:

H_2: Firms with larger board size are not likely to replace their CEOs.

2.4 Board Composition and CEO Turnover

When the board is correctly composed of both outsider and insider directors in the right proportion, it impacts on the effectiveness and capabilities of the board in the discharge of its monitoring roles. A key way to strengthen the monitoring capacity of the board effectively is to have a reasonable number of independent (non-executive) directors on the board (Guo & Masulis, 2015). This is necessary to curtail the influence of CEOs on the board. Because CEO's presence on the board affects the board composition and it leads to reciprocal CEO interlock which enhances CEO's private interests and ultimately weakens the corporate governance (Pombo & Gutiérrez, 2011). In a related study, Dimopoulos and Wagner (2012) noted that board independence is likely to be the key ingredients to board in removing underperforming CEO. Similarly, Firth, Fung and Rui (2007) find that turnover performance sensitivity is higher with a larger proportion of non-executive directors on the board. In fact, a higher level of board independence increases the chance of CEO turnover in the event of poor firm performance. Thus, this study postulates that:

H_3: Firms with a higher number of outside directors on the board are more likely to replace their CEOs.

2.5 Board Nominating Committee and CEO Turnover

Most corporate boards execute their tasks through committees created by the board of directors. It makes the board more effective and efficient in discharging its responsibilities. Because of the increase in the recent board activities, size and the complexities of organisation most boards perform their functions through committees and one of the most vital of such committees is nominating committee (Schloetzer, Tonello, Matteo & Larkin, 2017). The nominating committee is one of such cardinal board committees that guarantees good corporate governance (Ogbechie, 2012). It is saddled with the responsibilities to hire and fire directors and CEOs for the companies. Hence, the role of the nominating committee, as well as its composition, is crucial in determining the future direction of the firm. However, given this apparent importance of this board committee, very little attention has been paid to this important committee by the researchers of corporate governance in the emerging markets. Hence, this study fills the gap in the empirical studies on the developing markets with particular reference to Nigeria.

Furthermore, Guo and Masulis (2015) argue that the forced CEO turnover's sensitivity to firm performance increases as the nominating committee becomes more independent. They stress that board nominating committee is very important in determining the effectiveness and quality of the CEO monitoring and supervision. The independence of the board of directors and the nominating committee have different rules, but their effects on the board monitoring are complementary, especially the forced CEO turnover's sensitivity to firm performance increases as the nominating committee becomes more independent. The study hypothesises that:

H_4: Firms with a high number of outsiders on the board nominating committee are more likely to change their CEOs.

2.6 Board Gender

In line with agency theory, the monitoring role of the board of directors serves as an extremely important mechanism for mitigating the conflicts between the principal and the agent, which ultimately affect corporate performance. Recent studies have also suggested that greater boardroom gender diversity can strengthen the monitoring function of the board. For instance, Nguyen et al. (2014) observed that female directors appear to have superior monitoring ability and are also able to think more independently, and they are not influenced by the usual old-boys' club syndrome common with the men. Furthermore, greater board gender diversity can also improve better monitoring because female director representation enhances managerial accountability and CEO responsibility. Resource dependence theory opines that the security of companies' crucial resources and the linkage between the firms and its external environment could be enhanced by increasing the diversity and size of the board. Impliedly, firms with more diverse boards can have advantages in acquiring and maintaining their vital resources

Female directors' presence on the board of directors of firms no doubt plays a key role in the effective performance of the board, especially as it relates to the monitoring and advisory roles of the board towards the management. As such, it is expected to influence the CEO succession of the firm. Alves et al., (2015) in their findings provide evidence that a more gender diversified board of directors enhances the board's independence and efficiency. As a result of the enhanced performance, efficient and effective monitoring of the firm by the board, as argued by Alves et al., (2015) the firms' performance increases and this, in turn, reduces the probability of CEO turnover. Hence, the study hypothesises that:

H_5: Firms with female board members are less likely to replace their CEOs

2.7 Board Religiosity and CEO Turnover

Several studies have examined how corporate decision making is affected by the religiosity of the individual director or decision maker (Grullon, Kanatas, & Weston, 2009). In the same vein, researchers have argued that high religiosity among the corporate directors influence the management of corporations to strive to attain the wealth creation and maximisation for the shareholders (El-Bassiouny, Darrag, Seoudi, & Zahran, 2015). Although some studies have examined effects of religions on corporate governance and firm performance, none to the best of the researchers' knowledge has examined the influence of board member religiosity on the CEO turnover. Moreover, with the diversity in the world population, the rapid globalisation and the profound influence of religion on the human behaviour, there is need to investigate the influence of religion on the corporate boards especially as it affects their responsibility of monitoring and disciplining the CEOs and other succession decisions. This is in line with the view of Kim and Daniel (2016) that corporate persons like shareholder and board of directors are more likely to

have more active and greater monitoring of the management because of high board accountability as a result of the board religiosity.

Furthermore, Nigeria is a predominantly Muslim country with over 60% of its population Muslims. Hence, the primary religion of Nigeria can be unequivocally said to be Islam, this is consistent with the position of Stulz and Williamson (2003) as cited by Kim and Daniel (2016) defining a primary religion of a state as the religion practiced by the largest segment of the nation's population and posit that the corporate governance of a country is affected by the dominant religion in that country. Therefore, it is expected that the high ethical standard and moral accountability which is the hallmark of Islamic teachings (Abuznaid, 2009), will influence the behaviour of the board members who are Muslims and such board will be more effective in monitoring the CEOs and consequently are more likely to dismiss the underperforming CEOs. Hence, this study postulates that:

H_6: Firms with a higher number of Muslim directors on the board are more likely to replace their CEOs

2.8 Control Variables

Firm size has been variously established by the previous studies to influence positively on the CEO turnover. It is mostly measured as the log of total assets (Yoo & Reed, 2015). Others like Bates et al.,(2015) view firm size as the natural log of the total book value of assets. Similarly, Yun Liu (2010) controlled for company size in his study of the impact of the network on CEO turnover, appointments and compensation and established that large firms are more likely to change their CEOs more frequently than the smaller firms. Therefore, this study envisages that firm size will have a positive relationship with the CEO turnover, that is, the bigger the size of the firm, the higher the likelihood or the probability of the firms to change their CEOs.

Prior researchers have claimed that the greater the leverage, the higher the agency cost and the greater the demand for monitoring of the CEO. The leverage is measured as the ratio of long-term debt to total assets. Other researchers establish a positive relationship between firm leverage and CEO turnover. The higher the ratio of debt to equity (leverage) the higher the probability of CEO turnover (Lindrianasari & Hartono, 2012). CEO turnover is more likely to occur in firms within a competitive industry. This is so because of the homogeneous nature of the firms in the industry and the availability of a considerable number of suitable candidates from the outside of the firm (Fatima et al., 2014; Ishak & Latif, 2012; Ishak & Latif, 2013; Lindrianasari & Hartono, 2012). Yoo and Reed (2015) control for the effect of firm age because of the impact of maturity and development of firms on the decisions of the firm, and this comes with age. Older firms are believed to have a very organized and formal structure of decision making, and they rely on the established routine of decision making because of their long existence. As a result, the decisions to replace the CEOs in older firms are quickly arrived.

3. METHODOLOGY

The methodology used in this study is based on secondary data and is panel data mainly sourced from the audited annual reports of the public listed companies in Nigeria and corporate announcements from the website of the Nigerian Stock Exchange (NSE). The study is to determine the influence of board structure and firm performance on the CEO turnover. The study covers all the non- financial public listed companies in Nigeria within the period of 2011 to 2015, focusing on those companies that have changed their CEOs within the period. Therefore, the individual company is the unit of analysis in this study, which consists of all the public listed companies on the Nigerian Stock Exchange (NSE).

3.1 Research Framework

In line with the theoretical foundation and the literature reviewed in the preceding section, research framework was developed to investigate further the possible factors that determine CEO turnover. The independent variables of this research are firm performance, board size, board composition, board nominating committee, board gender and board religiosity with CEO turnover as the dependent variable. This research framework is consistent with the suggestion of (Fredrickson et al., 1988).

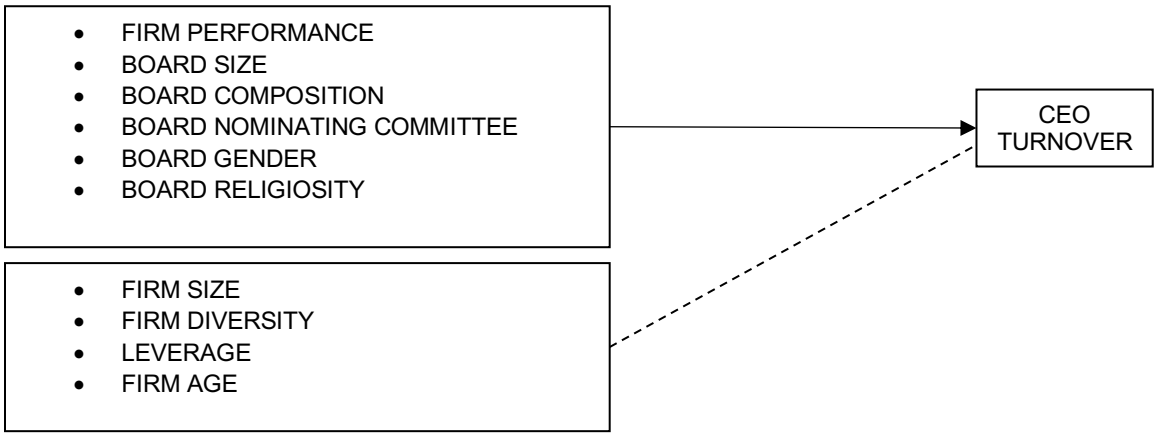

Figure 1. Research Framework

3.2 Population and Sample Selection

Nigerian stock exchange classified the listed companies into financial services sector and non-financial sector. This study uses a sample of non-financial companies of the Nigerian public listed companies. It is comprised of ten sectors with a total of 128 companies as presented in Table 1. The sectors are; Agriculture, Conglomerates, Construction/ Real Estate, Consumer Goods, Healthcare, Information and Communication Technology, Industrial Goods, Natural Resources, Oil and Gas, and Services. Meanwhile, due to lack of complete data and non-availability of data for some of the companies, the total population dropped to 103 companies which stands as the sample size for the study. Overall, there are 72 CEO turnovers in the non- financial sector of the public listed companies on the NSE between 2011 to 2015, as shown in Table 1. Thus, the 72 CEO turnover companies matched with another 72 non-turnover companies making a total of 144 formed the final sample size for this study.

Table 1. Non- financial Sector of the NSE

S/N	Sector	Number	Turnover
1	Agriculture	5	2
2	Conglomerates	6	5
3	Construction/Real Estate	10	5
4	Consumer Goods	28	22
5	Healthcare	10	6
6	Information and Communication Technology	10	0
7	Industrial Goods	24	16
8	Natural Resources	5	3
9	Oil and Gas	10	9
10	Services	20	4
	Total	**128**	**72**

A matching methodology was adopted to match the 72 turnover companies with 72 non-turnover companies to estimate the regression model for the CEO turnover. Pallant (2007) observed that logistic regression is an analytical tool used in simultaneously investigating the effects of several independent variables on single dependent variables. This is an appropriate statistical technique when the dependent variable is nominal (Ishak, 2010).

However, due to the peculiarities of the sample of this study, matching companies were selected based on asset size using 50 percent upper and lower limit, which is consistent with previous researchers like (Ashbaugh-Skaife, Collins, & Lafond, 2006) and Ishak (2010). It was not possible to select the matching companies based on the industry because some of the industries had a turnover in virtually all the companies, for example, Oil and Gas, Consumer Goods and Conglomerates. As such, no company or very few companies were left in the category of non-turnover companies for the particular industry. Based on the discussion in the preceding sections the following CEO turnover model is developed for this study:

MODEL:

$$CEO_{TURNOVER} = \beta 0 + \beta_1 PERFM_{it} + \beta_2 BSIZE_{it} + \beta_3 BCOMP_{it} + \beta_4 BGNDR_{it} + \beta_5 BNCM_{it} + \beta_6 BRLGN_{it} + \beta_7 FSIZE_{it} + \beta_8 DVRSTY_{it} + \beta_9 LEVRGE_{it} + \beta_{10} FAGE_{it} + \varepsilon_{it}$$

Where:

CEOTURNOVER	CEO turnover
PERFM	Return on assets and Tobin's Q
BSIZE	Board size
BCOMP	Board composition
BNCM	Board nominating committee
BGNDR	Board member gender
BRLGN	Board member religiosity
FSIZE	Firm size
LEVRGE	Leverage
DVRSTY	Firm diversity
FAGE	Firm age

3.3 Measurement of the Independent Variables

The basic objective of this study is to examine the influence of firm performance and board structure on CEO turnover. Firm performance is represented by two main measures; these are ROA and Tobin's Q. Board structure is represented by the attributes of board size, board composition, board nominating committee, board gender and religiosity of board members. There are also four control variables used in this research, and they include firm size, leverage, firm diversity and firm age.

Table 2. Measurement of Research Variables and Main Sources of Data

Variables		Label	Descriptive Measurement	Main Sources	Reference
Dependent Variables					
CEO Succession					
1.	CEO Turnover	**$CEO_{TURNOVER}$**	Dummies: 1 = Turnover 0 = No turnover	Annual report	
2.	CEO Selection	**$CEO_{SELECTION}$**	Dummies: 1 = Outsider the company 0 = Insider the company	Annual report	

Variables	Label	Descriptive Measurement	Main Sources	Reference
Independent Variables				
Firm Performance				
3. Performance	**PERFM**	Proxied as profit before interest & tax/Book value of total assets (ROA) and	Data stream	Ishak et al., (2012)
		equity + debt capital/Book value of the total asset (Tobin's Q)	Data stream	Hutchinson (2014)
Board Structure				
4. Board Size	**BSIZE**	Total number of board members	Annual Reports	Rachpradit et al., (2012)
5. Board Composition	**BCOMP**	Proportion non-executive members in the board.	Annual Reports	Guo and Masulis(2015),
6. Nominating Committee	**BNCM**	The proportion of non-executive members in the nominating committee	Annual Reports	(Guo & Masulis, 2015; Ishak, 2010).
7. Board Gender	**BGNDR**	The proportion of female directors on the board	Annual Reports	(Abdullah & Ku Ismail, 2013)
8. Board Religiosity	**BRLGN**	The proportion of Muslim directors on the board.	Annual Reports	(Ali & Azmi, 2016)
Control Variables				
Firm Characteristics				
10. Firm Size	**FSIZE**	Log of the book value of total assets	Data Stream	Ishak et al., (2012)
11. Diversity	**DVRSTY**	A firm with more than one business segment.	Data Stream	Ishak et al., (2012)
12. Leverage	**LEVRGE**	Total debt/book value of total assets	Data Stream	(Lindrianasari & Hartono, 2012b)
13. Firm Age	**FAGE**	Natural logarithm for the years of existence of the firm	Annual Reports	(Xie, 2014)

4. RESULTS AND DISCUSSION

Various kinds of univariate tests were carried out on the data. Continuous measures like mean, median, minimum, maximum and standard deviation were analysed to highlight the features and characteristics of the sample. Also, the difference in means for the turnover and matching companies (no turnover) sample was conducted using match paired t-test for the assumption of normal distribution, while Wilcoxon signed-rank test was conducted to test the sensitivity of the results for the non-parametric which does not require the assumption of normality.

Table 3 shows the descriptive statistics; seven independent variables were considered in this study. Two alternative proxies were used for firm performance, ROA for accounting-based performance and Tobin's Q for the market-based performance. The mean for the ROA for the full sample is 0.027, and that of matching companies is 0.049, both are higher than that of turnover firms which is very low at 0.004. However, there is no significant difference between the medians of all the categories. The mean of Tobin's Q for the turnover firms is 2.230 which is 21% and 41% higher than mean for the full sample and the matching firms respectively.

Mean of board size for all the categories of firms is nine members on board. The maximum number of members is seventeen while the minimum number of members on board is four. This result is consistent with the finding of Sanda et al., (2010) that reported optimal board size of ten and similar to that of Malaysian firms of eight reported by Ishak (2010). There is no marked difference between the percentages of the non-executive directors on board for all the categories of firms. For the full sample the percentage is 73%, the turnover sample the percentage is 72% while for the matching sample it is 74%. This finding indicates that more than half of the board members for all samples are made up of non-executive directors and that the firms in Nigeria

complied with the regulation of the SEC codes that requires that one-third of the board members should be comprised of outside directors.

Meanwhile, board nominating committee has the mean of 59% for the full sample and 67% and 51% for the turnover and no turnover firms respectively. This result connotes that majority of the members of the nominating committee is composed of non-executive directors. While the mean of board members gender is 10.8% for the full sample, while the turnover companies are 8.3% and the matching firms is a bit higher at 13.4%. Overall, this result reveals a low representation of female directors on the board; in fact, some firms do not even have any female on their boards as the minimum score is zero percent indicating no female director on the board. Similarly, the mean of board member religiosity is 20.2% for the turnover sample, 21.3% for the full sample while that of the matching firms is 22.4%. This result shows that the proportion of Muslim directors on the corporate boards of Nigerian listed public companies is deficient and there are some firms that do not even have any Muslim on the board as the minimum score indicated zero.

The mean for the firm size is higher in turnover firms than the comparable companies; this implies that majority of the turnover firms are large size companies. Similarly, the ratio of total debt to total asset the mean is 80% for a turnover sample while that of the matching sample is lower at 58% and 69% for the full sample. The result indicates that the firms are more likely to change their CEOs when the firm's debt burden and obligation are high. There is no difference in firm age for all categories of the sample as the mean age of the firms is 40 years.

A comparison between the turnover sample and matching sample using both paired t-test and Wilcoxon signed-rank test revealed that only accounting based performance (ROA) has a significant difference as the p-value of the mean is significant at 1%. Furthermore, comparing the medians of the two measures of performance; Return on asset and Tobin's Q, the Wilcoxon test indicated a significant difference at 10% and 5% respectively. As for board structure variables, there is no significant difference in board size, board composition and board member religiosity for both turnover and matching firms. The board nominating committee showed a significant difference for the Wilcoxon test at 1% level of significance. Similarly, board member gender displayed a significant difference as both the paired t-test and Wilcoxon signed-rank test are significant at 1% and 5% level respectively.

The next section discusses reports of the correlation analysis, test for multicollinearity and logistic regression analysis.

4.1 Correlation Analysis

Pearson product-moment correlation was adopted in this study to investigate the relationship between the variables; this is consistent with the suggestions of Pallant (2007). Thus, Table 4 displays the reports of the correlation between all the variables contained in this study. In line with the guidelines on interpretation by Pallant (2007), which suggests that correlation above +_0.50 was strong, +_0.30 to +_0.49 means a reasonable relation and +_0.10 to +0.29 indicate a weak relationship. As displayed in Table 4, all the correlation coefficients are within the threshold as such there is no multicollinearity issue among the variables of this study.

Table 3. Descriptive Statistics

Variables	Full sample (N= 144 Companies)					CEO Turnover Companies (N=72)			Matching Companies (N =72)			CEO Turnover vs Matched Companies			
												Paired t-test		Wilcoxon signed rank test	
	Mean	Median	Min	Max	Std. Dev	Mean	Median	Std. Dev	Mean	Median	Std. Dev	t-test	p-value	z-test	p-value
ROA	0.027	0.038	-0.933	0.388	0.127	0.004	0.035	0.151	0.049	0.041	0.094	2.162	0.016**	1.648	0.099*
TOBINSQ	1.769	1.076	0.022	47.953	4.075	2.230	1.156	5.638	1.307	0.990	1.110	-1.362	0.912	-2.122	0.034**
BSIZE	8.701	9.000	4.000	17.000	2.421	8.778	9.000	2.369	8.625	8.000	2.486	-0.378	0.647	-0.540	0.589
BCOMP	0.733	0.789	0.125	0.933	0.174	0.724	0.800	0.200	0.741	0.778	0.144	0.596	0.276	-0.308	0.758
BNCM	0.591	0.708	0	1	0.409	0.669	0.75	0.398	0.513	0.667	0.408	-2.321	0.989	-2.586	0.010***
BGNDR	0.108	0.100	0.000	0.800	0.131	0.083	0.038	0.100	0.134	0.111	0.153	-2.361	0.010***	2.262	0.024**
BRLGN	0.213	0.167	0.000	0.800	0.192	0.202	0.143	0.190	0.224	0.174	0.195	0.693	0.245	1.096	0.273
FSIZE (million)	49.100	11.400	0.094	1,110	123	70.1	3.700	164	28.100	8.803	50.700	-2.072	0.980	-1.594	0.111
LFSIZE	16..297	16.246	11.450	20.828	1.754	16.537	16.429	1.881	16.057	15.991	1.594	-1.652	0.950	-1.594	0.111
LEVRGE	0.688	0.573	0.022	13.451	1.103	0.797	0.609	1.533	0.580	0.542	0.275	-1.181	0.880	-1.520	0.128
FAGE	39.903	42.000	3.000	91.000	19.837	40.208	42.500	18.826	39.597	38.500	20.926	-0.184	0.573	-0.330	0.742

*** Significant at 1% level ** Significant at 5% level *Significant at 10% level. ROA = Return on Asset, TOBINSQ = Tobin's Q, BSIZE = Board size, BCOMP = Board composition, BNCM = Board nominating committee, BGNDR = Board member's Gender, BRLGN = Board member's Religiosity, FSIZE = Firm size, LFSIZE = Log of firm size, LEVRGE = Firm leverage, FAGE = Firm age.

Table 4. Correlation Matrix

Variables	TURNOVER	ROA	TOBINSQ	BSIZE	BCOMP	BNCM	BGNDR	BRLGN	LFSIZE	DVRSTY	LEVRGE	FAGE
CEOTURNOVER	**1.000**											
ROA	-0.179*	**1.000**										
TOBINSQ	0.114	-0.553***	**1.000**									
BSIZE	0.032	0.000	-0.028	**1.000**								
BCOMP	-0.050	-0.039	-0.086	0.054	**1.000**							
BNCM	0.191*	0.135	-0.097	0.199*	0.073	**1.000**						
BGNDR	-0.194**	0.117	-0.066	0.119	-0.033	0.144*	**1.000**					
BRLGN	-0.058	0.103	-0.147*	0.070	0.105	0.207*	0.229***	**1.000**				
LFSIZE	0.137	0.247***	-0.200**	0.400***	-0.298***	0.290*	0.124	0.253***	**1.000**			
DVRSTY	0.139*	0.102	-0.042	-0.039	-0.186**	0.297*	0.029	-0.104	0.307***	**1.000**		
LEVRGE	0.099	-0.668***	0.934***	-0.027	-0.047	-0.105	-0.092	-0.092	-0.224***	-0.051	**1.000**	
FAGE	0.016	0.125	-0.028	-0.028	0.080	0.174*	0.041	-0.024	0.074	0.089	-0.017	**1.000**

NOTE: ***, ** and * indicate that the parameter estimate was significant at level 1%, 5% and 10% respect

4.2 Multicollinearity Test

Collinearity diagnostic test was conducted to determine the existence of intercorrelation between the independent variables. Multicollinearity is deemed to exist if the tolerance level is less than 0.01 and the variance inflation factor is higher than 10 (Pallant, 2007). Table 5 shows that there is no multicollinearity existing among the variables in this study, as all the tolerance values are respectively greater than 0.01 and VIF less than 10.

Table 5. Multicollinearity Test: Tolerance Value and VIF

Variables	Collinearity Statistics	
	Tolerance Value	Variance Inflation Factor
ROA	0.520	1.920
TOBINSQ	0.118	8.450
BSIZE	0.733	1.360
BCOMP	0.796	1.260
BNCM	0.771	1.30
BGNDR	0.905	1.100
BRLGN	0.791	1.260
BHOWN	0.702	1.430
FROWN	0.593	1.690
MGOWN	0.797	1.260
CEOPWR	0.799	1.250
LFSIZE	0.495	2.020
LEVRGE	0.513	1.950
DVRSTY	0.797	1.250
FAGE	0.747	1.340

4.3 Firm Performance and CEO turnover

The result from the finding as indicated in Table 6 shows that firm performance proxied by ROA is negatively associated with CEO turnover at 5% level of significance. This finding implies that firm performance is typically used as a yardstick to measure the quality and success of the management. Hence, deficient performance causes CEO turnover. Thus, dismissal of the CEO by the board is in line with the assumption of agency theory which suggests that threat of dismissal makes the CEOs to align their interests with those of the shareholders.

This finding agrees with the previous researchers like Dikolli, Mayew, and Nanda (2014); Lindrianasari and Hartono (2012); Ishak (2010) and Conyon and He (2014) which revealed that the likelihood of CEO turnover increases as the firm performance declines or decreases. Furthermore, the study revealed that accounting-based performance (ROA) is significant compared to market-based (Tobin's Q) as displayed in Table 1.7. This is supported by the previous empirical findings by Cook (2015); Choi (2015); Ishak, Ku Ismail and Abdullah (2013) which reported negative relationship between firm performance and CEO turnover using accounting measure of performance rather than market-based performance because of its demerits, such as, discount in stock price and illiquidity of stock market especially the developing markets like Nigeria. Also, accounting-based performance reveals more information about the management's actions than Tobin's Q. Therefore, the finding of this study supported the hypothesis that firms are more likely to change their CEOs in the event of poor performance.

Table 6. Logistic Regression Model

CEO Turnover="1"	Predicted sign	Coefficient	Standard Errors	Z Statistic	p- value
ROA	-	-4.651	2.202	-2.11	0.035**
BSIZE	-	-0.044	.0877	-0.50	0.620
BCOMP	+	-0.088	1.150	-0.08	0.939
BNCM		1.150	.504	2.28	0.023**
BGNDR	-	-4.261	1.847	-2.31	0.021**
BRLGN	+	-0.938	1.082	-0.87	0.386
LFSIZE		0.250	.144	1.74	0.082*
LEVRGE		0.223	.418	0.53	0.594
DVRSTY		0.029	.432	0.07	0.947
FAGE		-0.001	.010	-0.08	0.939

*** Significant at 1% level, ** Significant at 5% level.

Below is the result of the regression for the market-based performance (Tobin's Q, the alternate proxy for the firm performance).

Table 7. Logistic Regression (with Tobin's Q)

CEO Turnover="1"	Predicted sign	Coefficient	Standard Errors	Z Statistic	p-value
TOBINSQ	-	0.149	0.159	0.93	0.350
BSIZE	-	-0.033	0.087	-0.39	0.699
BCOMP	+	0.123	1.147	0.11	0.914
BNCM		1.073	0.501	2.14	0.032**
BGNDR	-	-4.370	1.794	-2.44	0.015**
BRLGN	+	-0.867	1.078	-0.80	0.421
LFSIZE		0.211	0.141	1.49	0.136
LEVRGE		0.175	0.411	0.43	0.670
DVRSTY		0.287	0.706	0.41	0.684
FAGE		-0.004	0.010	-0.43	0.670

*** Significant at 1% level, ** Significant at 5% level.

4.4 Board Size

The study hypothesised that firms with larger board size are less likely to replace their CEOs. Although the coefficient of board size is negative, it is not significant. Hence, larger board size is not important in determining CEO turnover. This finding is consistent with the argument of Cook (2015) and Bekiris (2013) that smaller board size enhances the ability of the board to monitor the CEO, hence, more likely to change the CEO. Furthermore, the negative and insignificant coefficient could be because the Nigerian corporate landscape is characterised by mostly large board size as the mean of board size as presented in Table 3 is nine, and the maximum board size is 17. This is like optimal board size of eight in the Malaysian corporate structure as reported by Ishak (2010).

4.5 Board Composition

Hypothesis on board composition to turnover predicts a significant positive relationship between the proportion of outside directors on board and CEO turnover. Prior empirical findings like Dimopoulos and Wagner (2012) and; Zahra and Pearce (1989) reported that companies with a higher proportion of outsiders on the board have a higher probability of CEO turnover than companies with the insider-dominated board. They argued that, outside directors' diversity, breadth and expertise enable them to offer more effective monitoring of CEOs' activities, thus, more likely to dismiss the underperforming CEOs.

However, this study failed to find a significant relationship between board composition and the likelihood of CEO turnover, although the coefficient as shown in Table 6 is positive. Therefore, this indicates that higher proportion of non-executive (outside director) onboard

does not play a key role in the dismissal of a poorly performing CEO. Although, the finding does not support the hypothesis; but, it is consistent with that of Rachpradit et al. (2012) and Hsu and Wu (2014) that sensitivity of CEO turnover is higher with board with less outside directors, this is due to the problem of free riders associated with an outsider dominated boards.

4.6 Board Members' Gender

The result of the regression shows that board members' gender is significant at 5% level with a negative coefficient, indicating that the more female directors on the board of a firm the less the probability of CEO turnover. This finding supported the hypothesis which stated that firms with a high proportion of female board members are less likely to change their CEOs. The result of this study is consistent with the previous empirical findings reported by researchers like Alves et al. (2015) that gender diversity enhances the effectiveness of the board of directors and add values to the company. It equally improves the performance of the firm (Ku Ismail & Abdul-Manaf, 2016), which in turn reduces the probability of dismissing the CEO, because there will be no need for a turnover as the firm's performance is excellent.

4.7 Board Nominating Committee

The study postulates that firms with more outside directors in the nominating committee are more likely to change their CEOs. The result as displayed in Table 6 shows that board nominating committee is significant at 5% level with a positive coefficient and p-value of 0.023, which implies that, the more the number of outside directors in the nominating committee, the higher the probability of CEO turnover. This finding supported the hypothesis, and it is consistent with the arguments of other scholars like Guo and Masulis (2015) who argue that board nominating committee is very important in determining the effectiveness and quality of the CEO monitoring which leads to high CEO turnover.

4.8 Board Member Religiosity

The hypothesis predicts a positive and significant relationship between the proportion of the Muslims on the board of directors of the company and CEO turnover. From the result of the study as displayed in Table 6 it is not statistically significant, and as such, the hypothesis was not supported. Therefore, board religiosity does not play a significant role in the decision to change or replace the CEO. This is contrary to the findings of previous empirical studies by Volonte (2015) and Kim and Daniel (2016) that corporate persons like shareholder and board of directors are more likely to have more effective and greater monitoring of the management because of high board accountability as a result of the board religiosity.

The result does not support the hypothesis, and this is surprising. However, a probable reason might be likened to the result of the descriptive statistics in Table 3 where the mean score of Muslim proportion on the board is 20 percent, when compares to the population of the non-Muslims 80%. This situation is considered too small and does not have any impact on the decision of the board.

4.9 Control Variables

There are four control variables in this study namely; firm size, diversity, leverage and firm age. The study expects all the control variables to have a positive coefficient, meaning the larger the firm size, the more the leverage, the more business segments a firm has and the older the firm, the higher the likelihood of CEO turnover. The result as displayed in Table 6 reveals that the larger firms are more likely to replace their CEOs, the remaining variables though not significant, all have positive coefficient excepts firm age which shows a negative coefficient.

5. CONCLUSION AND RECOMMENDATION

This study focuses on factors that influence CEO turnover in public listed companies in Nigeria. This is the first study to consider the influence of board nominating committee and board gender diversity on CEO turnover in the developing markets. The study finds that firm performance measured by ROA is mostly used as a yardstick by the shareholders to assess the management which in turn determines the bases for dismissal of the CEO as the performance declines. The study also reveals that presence of females on the board enhances the performance of the board and thereby reduces the probability of CEO turnover. Similarly, when there is a well composed nominating committee of the board, the probability of replacing a non-performing CEO is higher.

In line with the above submission, this study suggests that the government should enact legislation on gender quota so that more women should be appointed to the board of the corporation to better the performance of the firm and as well enhance the monitoring role of the board. It also suggests that the firms should adhere to good corporate practices to enhance the well-being of the companies and safeguard the interest of the shareholders. Furthermore, the regulators should step up their monitoring of the firms to ensure compliance and enforcement of the code of corporate governance issued by the authority. Finally, it is hoped that this study will evoke more research in this area especially as it relates to emerging economies with weak markets and regulations.

REFERENCES

Abdullah, S. N., & Ku Ismail, K. N. I. (2013). Gender, ethnic and age diversity of the boards of large Malaysian firms and performance. *Jurnal Pengurusan*, *38*, 27–40.

Abuznaid, S. A. (2009). Business ethics in Islam: the glaring gap in practice. *International Journal of Islamic and Middle Eastern Finance and Management*, *2*(4), 278–288.

Adams, R. B., Hermalin, B. E., & Weisbach, M. S. (2010). The Role of Boards of Directors A Conceptual Governance : Corporate Framework and Survey. *Jornal of Economic Literature*, *48*(1), 58–107.

Ali, M., & Azmi, W. (2016). Religion in the boardroom and its impact on Islamic banks ' performance. *Review of Financial Economics*, 6–11. http://doi.org/10.1016/j.rfe.2016.08.001

Alves, P., Couto, E. B., & Francisco, P. M. (2015). Board of directors' composition and capital structure. *Research in International Business and Finance*, *35*, 1–32. http://doi.org/10.1016/j.ribaf.2015.03.005

Ansari, F. I., Goergen, M., & Mira, S. (2014). The determinants of the CEO successor choice in family firms. *Journal of Corporate Finance*, *28*, 6–25. http://doi.org/10.1016/j.jcorpfin.2013.12.006

Ashbaugh-Skaife, H., Collins, D. W., & Lafond, R. (2006). The effects of corporate governance on firms' credit ratings. *Journal of Accounting and Economics*, *42*(1-2), 203–243. http://doi.org/10.1016/j.jacceco.2006.02.003

Bates, T. W., Becher, D. A., & Wilson, J. I. (2015). Is There Performance-Based Turnover on

Corporate Boards ?
Bekiris, V. F. (2013). Ownership structure and board structure : are corporate governance mechanisms interrelated ? *The International Journal of Business in Society*, *13*(4), 352–364. http://doi.org/10.1108/CG-02-2011-0013
Cannella, A. A., & Lubatkin, M. (1993). Succession as a Sociopolitical Process : Internal Impediments to Outsider Selection. *The Academy of Management Journal*, *36*(4), 763–793.
Chemmanur, T. J., & Fedaseyeu, V. (2015). A theory of corporate boards and forced CEO turnover. *Available at SSRN 1647645*.
Cheng, C. S., Hu, J., & Saffar, W. (2014). Private Benefits of Control, Ownership Structure, and CEO Turnover: Evidence from East Asia. In *Jinshuai and Saffar, Walid, Private Benefits of Control, Ownership Structure, and CEO Turnover: Evidence from East Asia (November 17, 2013)*.
Conyon, M. J., & He, L. (2012). CEO turnover in China : The role of the market- based and accounting performance measures. *The European Journal of Finance*, (December 2012), 37–41. http://doi.org/10.1080/1351847X.2012.676559
Conyon, M. J., & He, L. (2014). CEO turnover in China: the role of market-based and accounting performance measures. *The European Journal of Finance*, *20*(7-9), 657–680.
Cook, J. L. (2015). Corporate Diversification and CEO Turnover Among Financially Distressed Firms.
Dikolli, S. S., Mayew, W. J., & Nanda, D. (2014). CEO tenure and the performance-turnover relation. *Review of Accounting Studies*, *19*(1), 281–327. http://doi.org/10.1007/s11142-013-9247-6
Dimopoulos, T., & Wagner, H. F. (2012). Corporate Governance and CEO Turnover Decisions. *Swiss Finance Institute Research Paper*, (12-16).
El-Bassiouny, N., Darrag, M., Seoudi, I., & Zahran, N. (2015). An Interpretive Investigation of CSR and Religiosity in Egypt.
Fama, E. F., & Jensen, M. C. (1983). Separation of Ownership and Control SEPARATION OF OWNERSHIP AND CONTROL. *Chicago Journals*, *26*(2), 301–325.
Fatima, I., Goergen, M., & Mira, S. (2013). The determinants of the CEO successor choice in family firms. *Journal of Corporate Finance*. http://doi.org/10.1016/j.jcorpfin.2013.12.006
Fiordelisi, F., & Ricci, O. (2013). Corporate culture and CEO turnover. *Journal of Corporate Finance*. http://doi.org/10.1016/j.jcorpfin.2013.11.009
Firth, M., Fung, P. M. Y., & Rui, O. M. (2007). Ownership, two-tier board structure, and the informativeness of earnings – Evidence from China q, *26*, 463–496. http://doi.org/10.1016/j.jaccpubpol.2007.05.004
Fredrickson, J. W., Hambrick, D. C., & Baumrin, S. (1988). A model of CEO dismissal. *Academy of Management Review*, *13*(2), 255–270.
Grullon, G., Kanatas, G., & Weston, J. (2009). Religion and Corporate (Mis) Behavior. *Available at SSRN 1472118*, (713).
Guo, L., & Masulis, R. W. (2015). Board structure and monitoring: New evidence from CEO turnovers. *Review of Financial Studies*, *28*(10), 2770–2811.
Hsu, H., & Wu, C. Y. (2014). Board composition, grey directors and corporate failure in the UK q. *The British Accounting Review*, *46*(3), 215–227. http://doi.org/10.1016/j.bar.2013.12.002
Hyung-suk Choi. (2015). Culture and chief executive officer forced a turnover. *Investment Management and Financial Innovations*, *12*(1), 258–266.
Ishak, R., & Abdul Latif, R. (2012). CEO Succession and Shareholders Wealth in Malaysian Public Listed Companies. *Procedia - Social and Behavioral Sciences*, *65*(ICIBSoS), 173–179. http://doi.org/10.1016/j.sbspro.2012.11.107
Ishak, R., Ku Ismail, K. N., & Abdullah, S. N. (2013). CEO Succession and Firm Performance: Evidence from Publicly Listed Malaysian Firms. *Asian Academy of Management Journal of Accounting and Finance*, *9*(2), 29–48.
Ishak, R., Ku Ismail, K. N., & Abdullah, S. N. (2012). Determinants of Internal vs External CEO Successions in Malaysian Public Listed Companies. *Asian Academy of Management Journal*, *17*(2), 79–96.
Ishak, R., & Latif, R. A. (2012). CEO Succession and Shareholders Wealth in Malaysian Public Listed Companies. *Procedia-Social and Behavioral Sciences*, *65*, 173–179.

Ishak, R., & Latif, R. A. (2013). CEO Succession: Is It Good or Bad News? In *Proceedings of 7th Global Business and Social Science Research Conference* (pp. 13–14).

Kim, J., & Daniel, S. J. (2016). Religion and Corporate Governance : Evidence from 32 Countries, 281–308. http://doi.org/10.1111/ajfs.12130

Kind, A., & Schläpfer, Y. (2011). Is a CEO Turnover Good or Bad News ?, (March), 1–42. Retrieved from https://wwz.unibas.ch/fileadmin/wwz/redaktion/dekanat/Forschungsseminar_HS09/03_CEO_PAPER_KIND_SCHLAEPFER_2011.pdf

Ku Ismail, K. N., & Abdul-Manaf, K. B. (2016). Market reactions towards the appointment of women to the boards of Malaysian firms. *Journal of Multinational Financial Management*, *36*, 75-88. http://doi.org/10.1016/j.mulfin.2016.04.004

Lindrianasari, & Hartono, J. (2012). Antecedent and consequence factors of CEO turnover in Indonesia. *Management Research Review*, *35*(3/4), 206–224. http://dx.doi.org/10.1108/09564230910978511

Liu, Y. (2010). The impact of networks on CEO turnover, appointment, and compensation. *Business*, 1–27. http://doi.org/10.2139/ssrn.1573244

Maharjan, J. (2015). Essays on Executive Turnover. Washington University in St. Louis.

Nguyen, T., Locke, S., & Reddy, K. (2014). Does boardroom gender diversity matter ? Evidence from a transitional economy. *International Review of Economics and Finance*. http://doi.org/10.1016/j.iref.2014.11.022

Ogbechie, C. I. (2012). Key Determinants of Effective Boards of Directors - Evidence from Nigeria, (September).

Pallant, J. (2007). SPSS survival manual: A step-by-step guide to data analysis using SPSS version 15. *Nova Iorque: McGraw Hill*.

Pombo, C., & Gutiérrez, L. H. (2011). Outside directors, board interlocks and firm performance : Empirical evidence from Colombian business groups. *Journal of Economics and Business*, *63*(4), 251–277. http://doi.org/10.1016/j.jeconbus.2011.01.002

Rachpradit, P., Tang, J. C. S., & Ba Khang, D. (2012). CEO turnover and firm performance, evidence from Thailand. *Corporate Governance: The International Journal of Business in Society*, *12*(2), 164–178.

Rokiah, I. (2010). Determinants and Consequences of CEO Succession in Malaysian Public Listed Companies. Universiti Utara Malaysia.

Sanda, A. U., Mikailu, A. S., & Garba, T. (2010). Corporate governance mechanisms and firms ' financial performance in Nigeria. *Afro-Asian J. Finance and Accounting*, *2*(1), 22–39.

Schloetzer, J. D., Tonello, M., & Larkin, G. (2017). *CEO Succession Practices 2017 Edition - Including an Analysis of S&P 500 CEO Turnover Events*.

Volonte, C. (2015). Culture and Corporate Governance : The Influence of Language and Religion in Switzerland. *Management International Review, 55*(1), 77-118.

Yoo, J. W., & Reed, R. (2015). The Effects of Top Management Team External Ties and Board Composition on the Strategic Choice of Late Movers. *Long Range Planning*, *48*(1), 23–34. http://doi.org/10.1016/j.lrp.2013.08.002

Zahra, S. A., & Pearce, J. A. (1989). Boards of Directors and Corporate Financial Performance : A Review and Integrative Model. *Journal of Management*, *15*(2), 291–334. http://doi.org/10.1177/014920638901500208